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The Labor Market Impacts of the Nurse Licensure Compact

The number of licensed employees in the United States has skyrocketed in recent years. Morris Kleiner and Alan Kreuger [recently found](#) that 29 percent of American workers today are licensed, up from only 5 percent of the workforce in the early 1950s. The [dominant view among economists](#) is that licensing restricts the supply of labor, thereby reducing competition, driving up the licensed workers' wages, and increasing the cost of their services to consumers. Studies have also found that occupational licensing [restricts the supply of workers](#) in regulated professions and [limits worker mobility](#). Yet despite the dramatic growth of occupational licensing and the fact that the study of licensing has a lengthy history in economics, recent empirical and legal research on occupational licensing is [extremely limited](#).

The Nurse Licensure Compact (NLC) is an inter-state agreement that allows registered nurses (RNs) and licensed practical/vocational nurses (LP/LVNs) to practice across state lines without having to procure a new license. The NLC represents a rare instance in which states have alleviated licensing requirements. It also has special relevance because mutual recognition, the strategy that it uses to ease licensing, is viewed as more politically feasible than alternative means of alleviating licensing laws, and because similar mutual recognition policies are being designed or advocated for other professions.

Using data from the Occupational Employment Statistics (OES) program and the National Sample Survey of Registered Nurses (NSSRN), we compare how nurse mobility, wages, hours worked, and employment have changed in NLC states relative to non-NLC states over time. Existing data, however, are too noisy to discern any clear patterns about the labor market effects of the NLC. There is some limited evidence that total employment has decreased in NLC states and that upper-wage RNs in NLC states have benefited more than lower-wage RNs. However, nearly all of our estimations from the OES data lack precision, and the regressions are very sensitive to certain modeling features, such as the inclusion of state-level time trends. The NSSRN results are more suggestive, showing positive impacts on wages, hours worked, and mobility. However, these effects disappear once state-level time trends are added. In general, we emphasize the fragility of all the observed trends and are therefore unable to make clear inferences about the economic and labor market effects of mutual recognition in licensed professions.

Figure 5: RN Mobility From State of Licensure in NLC States

